WEEKLY ECONOMIC REVIEW

DECEMBER 10, 2004

Following a series of soft economic releases on exports, GDP growth and employment, the Bank of Canada retreated from further interest rate hikes on Tuesday, keeping the target overnight rate at 2.50%. The Bank's announcement drove the Canadian dollar down by over 2 cents against its U.S. counterpart, in anticipation that Canada-U.S. interest rate spreads will continue to narrow. In the U.S., the Federal Reserve is expected to increase its key rate by 25 basis points next week (to 2.25%).

Energy prices fell back early in the week due to positive U.S. inventory reports. However, with OPEC agreeing to cut its February production by 1 million barrels per day, prices recovered later in the week.

Activity in Alberta's energy sector continues at a record pace, with November rigs drilling up 17.2%, to 434. The active rig count was up 26.8% from November 2003, and 53% above the previous 10-year average level for November.

Cdn Dollar (C¢/US$)

Dec 9, 2004	81.6¢
Dec 2, 2004	84.0¢
2004-05 YTD	77.0¢

WTI Oil US$/bbl

Dec 9, 2004	$42.53
Dec 2, 2004	$43.25
2004-05 YTD	$43.40

Nymex Natural Gas C$/mcf*

January Contract

Dec 10, 2004	$8.51
Dec 3, 2004	$8.07

*Estimate based on Nymex Futures Market Price

Favorable market conditions and healthy demand continue to support Alberta's housing sector, as housing starts remained near record levels (39,600) in November.

The outlook for Alberta's construction sector remains strong, with the value of building permits rising 11.3% in October. Edmonton led all of Canada's metropolitan areas in the growth of non-residential permits (+128.7%, to $88 million).

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date**
Housing Starts (SAAR)*	November			
Alberta	39,600	3.9%	13.8%	-2.7%
Canada	238,200	5.9%	9.9%	5.5%
Building Permits ($ millions)	October			
Alberta	621.8	11.3%	8.4%	3.9%
Canada	4,603.5	2.0%	6.8%	8.0%
Rigs Drilling	November			
	434	17.2%	26.8%	3.9%
Industrial Product Price Index (1997=100)	October			
	110.2	-0.5%	5.4%	3.0%
Raw Materials Price Index (1997=100)	October			
	138.9	3.8%	28.0%	11.0%

Source: Statistics Canada, Alberta Energy

**Seasonally Adjusted at Annual Rates*

***Year-to-date 2004 compared to the same time period in 2003. For example: January-October 2004 versus January-October 2003*

Alberta Finance